

# **CS Market Research**

## **ITALY: Pollution Control Equipment and Services**

### **Industry-Specific Outline**

#### **Summary**

In the last ten years, Italy has considerably strengthened its national environmental institutions, issued new environmental legislation, and further developed environmental responsibilities for regional and local authorities while keeping responsibility for strategic planning and legal coordination at the central level. The Italian government is gradually strengthening environmental laws not only in response to public opinion, but also as a result of the country's obligations as a member of the European Union. Combating the negative effects of air pollution and climate change while encouraging energy efficiency and less reliance on the automobile are the goals of the Italian government. Although market prospects in Italy for environmental products are good, and there is a need for technologically advanced products and know-how, it is not an easy market to penetrate and much patience is required. Acquiring a project or going through the bidding is usually a lengthy process: although funding for a specific project may have been approved, bureaucratic problems may delay the selection of the candidate.

#### **Market Overview**

The pollution control equipment and services market in Italy provides one of the best prospects for U.S. products, technologies, and services. Pollution continues to represent one of the most serious problems facing Italy. The Italian government fully recognizes these problems and is moving forward both at the structural level and through individual projects. The Italian law, commonly referred to as the "Decreto Ronchi" implemented EU Directive 91/56 on waste, 91/689 on hazardous waste, and 94/62 on waste packaging. As this law and the Italian water law known as the "Legge Galli" become fully operational, the market will offer good opportunities, especially in the fields of water treatment, waste recycling and hazardous waste management equipment technologies and services. Italian industrial companies are also placing increasing emphasis on waste minimization and pollution prevention in the production processes, as well as on recycling projects.

The Italian industry is largely dependent on foreign expertise for know-how; in particular, U.S. products and technologies are highly regarded. Competition in the marketplace is fierce, but demand is strong for truly innovative products and services. Italy's strategic location in the Mediterranean Basin makes it an ideal gateway to the emerging markets of Eastern Europe, North Africa, and the Middle East. Several Italian companies specialized in turn-key operations have strengthened their position in foreign markets and developed excellent contacts there. As a result, the right Italian partner could assist U.S. firms not only in penetrating the Italian market, but also in effectively entering other foreign markets.

#### **Market Trends**

Italy has implemented more restrictive air pollution control legislation in compliance with EU legislation. Gasoline-powered motor vehicles are the primary sources of carbon monoxide emissions; volatile hydrocarbons and nitrogen oxides are examples of pollutants that are responsible for the formation of photochemical smog and the ground-level ozone. As a consequence, there is a high risk of lung cancer among urban inhabitants.

Local authorities and private transportation companies in Italy have implemented a large number of projects in recent years to reduce the environmental impact of transportation. However, according to a census of Italy's urban ecosystem in 2005, there are still 32 Italian cities which have not yet taken any measure to reduce pollution by public transportation systems. Although the major cities are not included in this "black list", the data shows that, while Italy is making progress in this field, there is still much to be done. At the beginning of 2005, the Italian Government allocated Euro 350 million for public transportation initiatives. These funds are in addition to Euro 110 million already allocated by the Ministry of the Environment. Part of the funds will be used to substitute older polluting buses with new vehicles with lower environmental impact.

While European competition has been driving Italy's efforts to reform its energy sector, Italy has taken advantage of this situation to introduce environmentally friendly energy policies. Italy is committed to reduce carbon emissions levels and to increase its use of renewable energy and natural gas and improving energy efficiency to meet its Kyoto commitments. Energy demand is expected to grow constantly over the next ten years, and electricity generation and co-generation programs will expand. Good opportunities exist for pulverization and denitrification systems and technologies, especially for use in smaller plants operated by municipalities and private sector entities.

The Italian water treatment equipment sector is undergoing strong growth largely driven by European and national water legislation. A "Water Resources Act" known as the "Galli law" is intended to promote the consolidation of water management entities, overcoming the current operational fragmentation through the reorganization of the 7,800 service suppliers and to open the sector to private firms. This sector is also beginning to benefit from being stimulated by the EU Directive 2000/60/EC (Water Framework Directive) on the quality of drinking water implemented in Italy. Much of Italy's wastewater is still being discharged with little or no treatment, including cities like Milan, Florence and Palermo. As projects are implemented and as Italian industry feels increased pressure to clean up its effluent, there should be a growing Italian market for truly innovative water and wastewater equipment and technologies. It is estimated that, over the next ten years, Italy will need to invest approximately \$ 54 billion for water and wastewater treatment plants.

Over the past years, the processing of industrial and urban waste has become an environmental and political issue for Italy. Recycling and disposal of waste in a safe, cost-effective way has become very difficult. The constant increase in the amount of waste, both organic and toxic, places a great burden on aging waste-processing plants. Many landfills today are working at full potential and cannot process the waste they receive according to environmental regulations. Because of this emergency, local and regional administration have allocated financial resources for recycling programs and for the construction of new, technologically advanced waste-processing facilities.

Recovery of urban waste in Italy has witnessed a consistent growth: glass and paper are currently the materials with the highest recovery rate. The recovery of plastic has increased even beyond the expectations of the Italian Association for the recycling/recovery of plastic. Nevertheless, landfill is still the preferred option for waste disposal: 80% of waste is disposed of in landfills. In the medium term, the market potential is particularly promising for waste recycling and hazardous waste management equipment, technologies, and services. Italian industrial companies are placing increasing emphasis on waste minimization and pollution prevention in production processes, as well as on recycling projects.

The Italian market for the assessment and remediation of contaminated sites is expected to undergo strong growth over the next three to five years. Registers of potentially contaminated sites are compiled by the regional authorities, which are also responsible for prioritizing remedial actions. Local authorities, i.e. the municipal and provincial administrations, are mainly responsible for approving and certifying remediation projects as well as providing institutional controls when needed. When parties are identified as being liable for causing pollution they are required to pay for the remediation. However, the remediation of contaminated sites of “National Interest” is the direct responsibility of the Ministry for the Environment and the National Agency for the Protection of the Environment (ANPA).

The Italian Government had approved the National Remediation Plan which identified 40 Italian sites of “National Interest” in need of urgent clean-up. However, the total number of polluted sites far exceeds those identified in the National Remediation Plan, and it is estimated that at least 15,000 areas in Italy are currently subject to environmental investigation and remediation. Some examples of polluted areas in need of clean-up are the suburban areas polluted by asbestos (Sicily); environmental clean up of the port and abandoned industrial areas Campania (Bagnoli); remediation of industrial areas, landfills and coastal zones (Calabria).

Market opportunities are growing for U.S. environmental consulting and risk assessment companies, as well as for those U.S. companies offering innovative products and technologies. It is important that U.S. engineering and remediation service companies seeking to do business in Italy understand not only the complicated regulatory and legal framework in Italy, but also team up with local firms familiar with the preparation and submission of product approval applications.

## **Import Market**

There are no regulations in Italy, which bind foreign suppliers to a specific distribution channel. Overall, the Italian import market is quite favorable towards U.S. products and services. Imports from third countries are subject to import duties. Import duties vary from 2 to 10 percent, according to the products. All products are subject to a Valued Added Tax (VAT) of 20 percent.

The Italian market for pollution control equipment, environmental technologies, and services will reportedly reach approximately \$ 4.6 billion U.S. dollars in 2005. Imports are estimated to reach approximately \$ 950 million U.S. dollars in 2005, with the United States holding approximately 40 percent of the import market.

## **Competition**

The most critical factor for U.S. companies appears to be innovative and efficient technology, coupled with the readiness and ability to fully understand the prospective customer's requirements. This sometimes imposes the need for a certain degree of equipment customization. Important suppliers to the Italian market are primarily: Germany, France, Switzerland, and the United Kingdom.

## **End Users**

Medium/large companies in the private sector and the private represent the major end-users of pollution control equipment and services. The public sector prefers to rely on well-

known, reputable domestic suppliers for reason of quick access. In the private sector, the most important users of pollution control equipment are the chemical and petrochemical industries, the food processing industry, the mechanical industry, the steel industry, the paper industry, and the tanning industry.

## **Market Access**

Overall, there are no significant trade barriers or limitations on imports of U.S. goods. Technical specifications are essentially those established by the EU, which have been incorporated into Italian law. Official technical norms are issued by UNI, the Italian Standards Institute, and electrical norms are from CEI, the Italian Electrotechnical standards Institute. Information on EU standards is available from the Commercial Service Office at the U.S. Mission to the European Union at the following address: 40 Boulevard du Regent, 1000 Brussels, Belgium, tel.: 32/2/5082746; fax: 32/2/5131228. The Italian institutions responsible for product standards and certification in Italy are listed in the contact section.

## **Market Entry**

The Italian environmental industry is heavily dependent on foreign expertise and know-how. At the same time, many major Italian firms have gained considerable experience and can offer turnkey plant operations. A significant portion of the equipment involved is either imported or manufactured under foreign licenses.

The United States holds approximately 40% of the import market for pollution control equipment and environmental services. In Italy, U.S. technology and standards are highly regarded and recognized, and good opportunities exist for American companies wishing to penetrate the Italian market. Technology and innovation are the most critical competitive factors in this sector. Comprehensive, problem-solving know-how, coupled with the capability to understand fully prospective customer requirements and the flexibility to customize equipment accordingly, are also important factors. A reputation for excellence in particular areas may become critical when participating in bids for projects of considerable size and technological sophistication.

U.S. companies interested in the Italian market should strongly consider having a competent local agent, distributor or representative, unless they plan to open their own branch office or subsidiary. A potential agent or distributor should be able to provide technical assistance and local servicing and should be well acquainted with local political dynamics, key decision-makers and business customs.

Best prospects in the air pollution control sector include: catalytic and non-catalytic denitrification systems for power plants; catalyzers for the oxidation of CO<sub>2</sub>; semi-dry absorption towers; remote sensing equipment; testing and measurement instrumentation.

In the water treatment sector, the best prospects are as follows: ozonation equipment; static mixers, and advanced stirrers and blowers; filtering equipment for oils and thick liquids; membrane systems; tertiary water purification systems for dephosphorization, nitrification and denitrification; advanced chemical-physical urban wastewater treatment systems; sludge sterilization systems.

Best prospects in the waste/soil remediation sector include: general recycling equipment and technologies; tire recycling technologies; innovative waste-to-energy technologies;

equipment for the treatment of chemical wastes (neutralizing, separating, stabilizing); encapsulation technologies; hazardous slag and sludge treatment equipment; remediation technologies (on-site biological treatment, vapor extraction, chemical extraction); analytical monitoring and process control instruments. In addition, market opportunities exist for U.S. environmental consulting services and remediation services for very specific market niches.

## **Key Contacts**

Ministero dell'Ambiente (Ministry of the Environment)

Via Cristoforo Colombo 44

00187 Rome

Tel: (39) (06) 57221

Fax: (39) (06) 57288513

### **Associations**

ANIMA/U.I.D.A. - Association of Environmental Protection Companies (adhering to the Mechanical Industry Association)

Via Battistotti Sassi 11

20133 Milan

Tel: (39) (02) 73971

Fax: (39) (02) 7397316

Assoambiente (FISE)

(Association of Italian Environmental Service Companies)

Via del Poggio Laurentino, 11

00144 Rome

Tel.: (39) (06) 5921076

Fax: (39) (06) 5919955

ITALY

Web: [www.fise.org](http://www.fise.org)

E-mail: [assoambiente@fise.org](mailto:assoambiente@fise.org)

UNI - Ente Nazionale Italiano di Unificazione (Standards Institute)

Via Battistotti Sassi, 11/b

20133 Milan

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Tel.: (39) (02) 700242.1

Fax: (39) (02) 70106149

Web: [www.uni.com](http://www.uni.com)

E-mail: [uni@uni.com](mailto:uni@uni.com)

CEI - Comitato Elettrotecnico Italiano (Electrical Standards)

Viale Monza 259

20126 Milan

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Tel.: (39) (02) 257731

Fax: (39) (02) 25773210

Web: [www.ceiuni.it](http://www.ceiuni.it)

IMQ - Istituto Italiano del Marchio di Qualita'

Via Quintiliano 43

20138 Milan

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Tel.: (39) (02) 5073220

Fax: (39) (02) 5073271

Web: [www.imq.it](http://www.imq.it)

**Up Coming Trade Shows**

**TAU EXPO, March 2006 (Biennial)**

This is the largest environmental protection and pollution control show in Italy and in the Mediterranean, held every other year in Milan. Past editions of Tau Expo attracted over 39,000 with 600 exhibitors. The show which runs four days in Milan covers water treatment and purification, waste disposal, recycling technologies, air purification, land reclaim, biotechnology energy reuse and renewable sources of energy. Participating in this major event in the environmental technologies sector is an important step towards your long-term success not only in Italy but also throughout Europe. TAU EXPO is organized by PROMOEXPO S.r.l.: Via Caldera 21-c, 20153 Milan, tel.: (39) 02.40922401; fax: (39) 02.40922450; e-mail: [info@promexpo.it](mailto:info@promexpo.it). The U.S. Commercial Service in Italy will organize a U.S. Pavilion at TAU EXPO in Milan, March 2006. For information on participating at the next edition of the show, you may wish to contact Leonarda Chiocchi at the U.S. Commercial Service, Via V. Veneto 110/A, 00187 Rome, Tel.(39) 06.46742204; Fax: (39) 06.46742321; e-mail: [Leonarda.Chiocchi@mail.doc.gov](mailto:Leonarda.Chiocchi@mail.doc.gov).

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